



Indo American Chamber of Commerce Conference

Dr. J.B. Penn, Under Secretary
U.S Department of Agriculture
Farm and Foreign Agricultural Services
November 16, 2005





India's Market Potential

- Enormous consumer base with a \$3-trillion-and-growing economy
- Projected doubling of food consumption by 2020
- Income growth reducing share of population in poverty and boosting food demand
- Population growth at 2% a year – on a billion base
- By 2025, 92 million metric tons more cereals required to meet food needs



Economic Reforms in India's Trade and Investment Regime

- Economic reforms of the last 14 years have led to some openings
- Applied tariffs lowered on industrial goods and some non-tariffs barriers reduced
- Agricultural tariffs average over 114% – fourth highest among 105 developing countries – applied average 36%



President George W. Bush --

"We will fight to lift the burden of poverty from places of suffering – not just for the moment, but permanently. And the surest path to greater wealth is greater trade...The Doha Round is the most promising way to achieve this goal...This is the key to overcoming poverty in the world's poorest nations. It's essential we promote prosperity and opportunity for all nations."

9/14/05

Status of WTO Doha Round Negotiations

- **WTO July 2004 Framework Agreement**
 - Domestic Support
 - Substantial reductions in trade-distorting support with harmonizing element
 - Export Competition
 - Eliminate export subsidies
 - Eliminate export credits with repayment beyond 180 days and develop rules for less than 180 days
 - Develop rules on food aid
 - Discipline export state-trading enterprises
 - Market Access
 - Tiered approach – greater harmonization of tariffs
 - Sensitive products option



Doha Talks Teetering: U.S. Oct. 10 Agricultural Proposal

- Bold, ambitious proposal—closely interlinked to farm policy
- Contingent on comprehensive reform in all three pillars
- Stage 1 (5-year implementation):
 - Substantial reductions in trade-distorting measures and tariffs
 - Elimination of export subsidies
- Stage 2 (5 years after stage 1):
 - Eliminate remaining trade-distorting measures



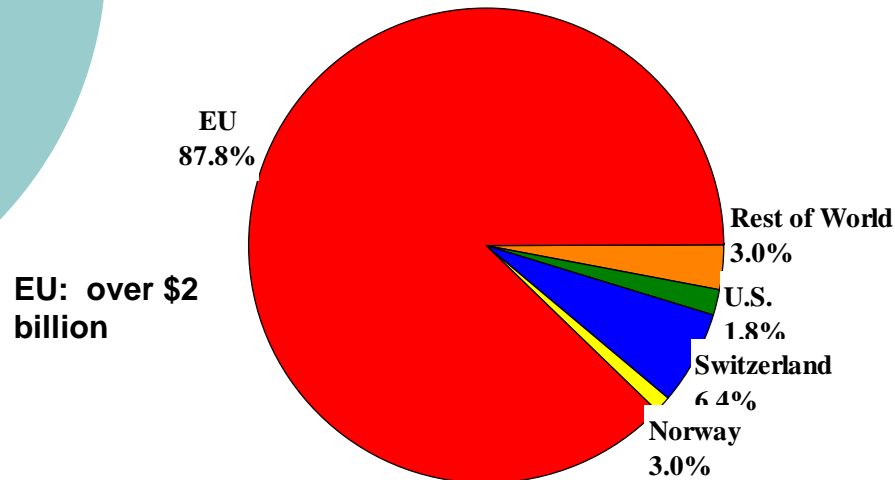
U.S. Export Competition Proposal

- Export subsidy elimination by 2010
- Export credits to be limited to 180-day repayment terms
- Trade-distorting practices of STEs to be eliminated
 - Developing country exceptions
- Disciplines on food aid to prevent commercial displacement

U.S. Proposal: First Stage

Direct Export Subsidies

Current



U.S. Proposal

Eliminated by 2010



(others have later dates)

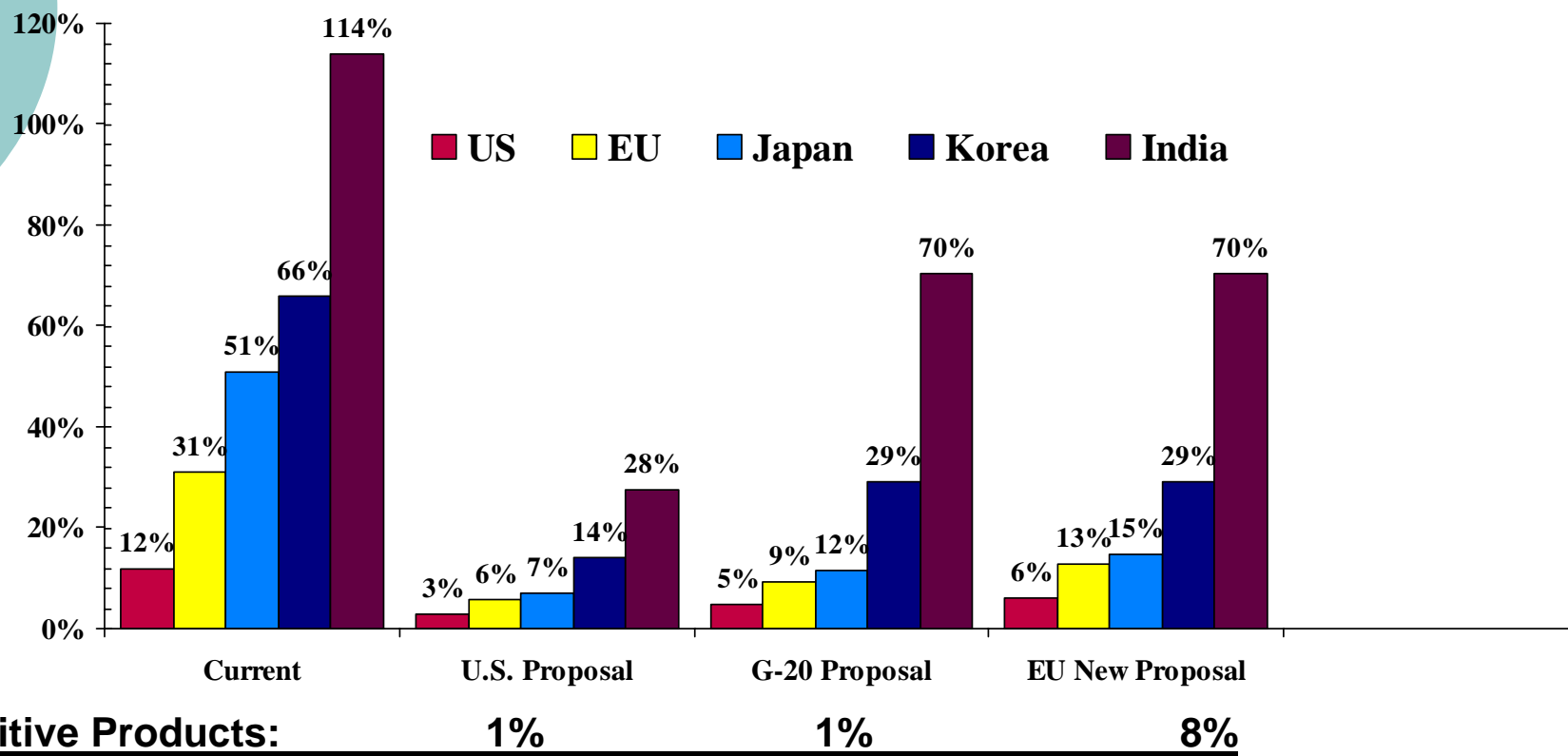


U.S. Market Access Proposal

- Progressive tariff reductions over 5 years
- Developed countries: 55–90% reductions
- Tariff cap of 75% (higher for developing countries)
- Sensitive products: Limit to 1%; TRQ expansion
- Smaller cuts and longer phase-in for developing countries

U.S. Proposal: First Stage

Market Access Average WTO Allowed Ag Tariff

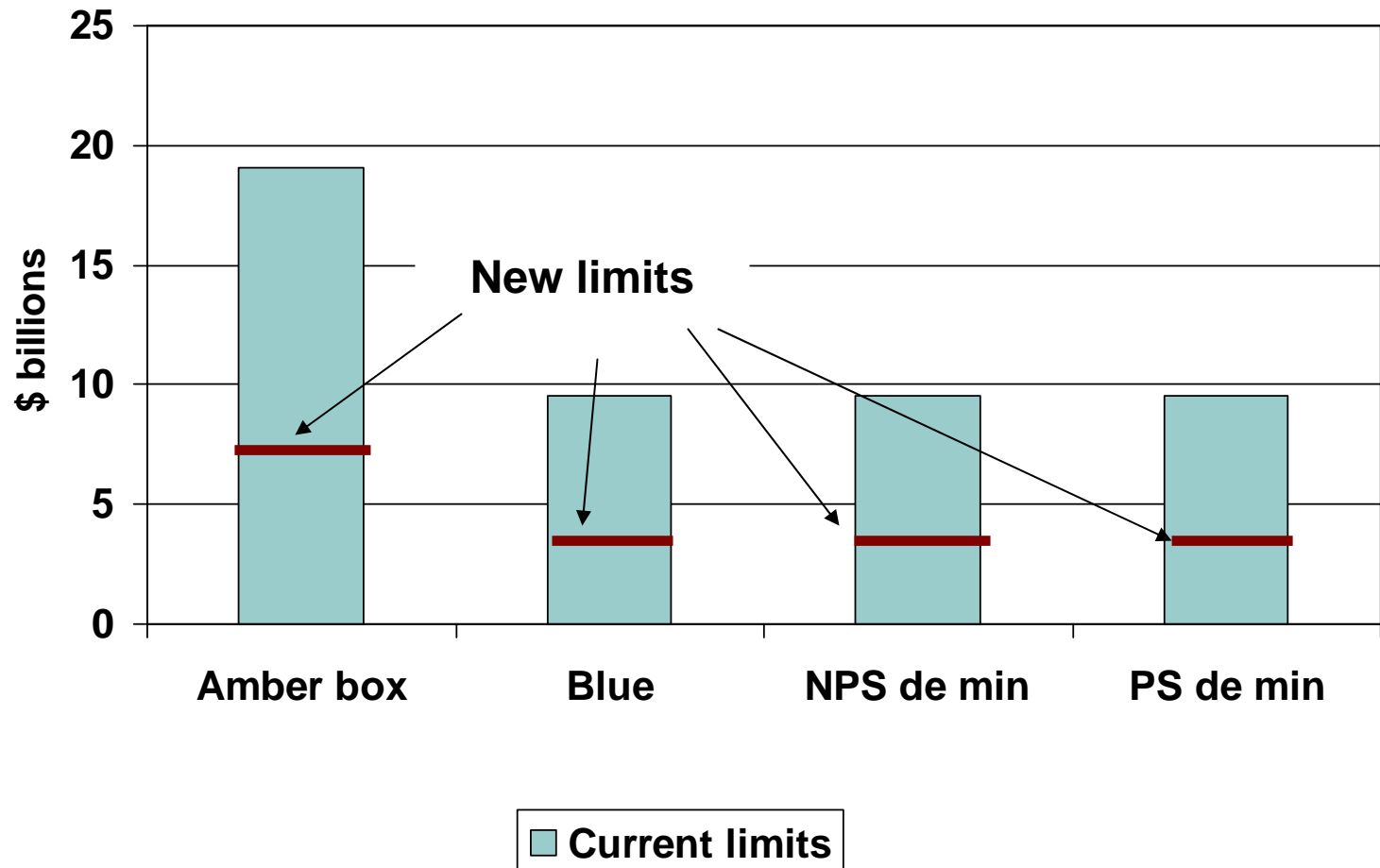




U.S. Domestic Support Proposal

- Bold cuts to most trade-distorting support with product-specific caps
 - Countries with higher support cut more; U.S. cuts 60%
- Cap less trade-distorting support at 2.5% of value of agriculture production
 - Down from 5% in Framework
- Overall cut to trade-distorting support
 - U.S. cuts 53%
- No cap on non or minimally distorting support

U.S. Proposal Represents Meaningful Reform





EU Agricultural Proposal of Oct. 28

- Level of ambition falls short of Doha mandate
- Market access cuts did not fall between the U.S. and G20 proposals
- Special and differential treatment for developing countries is less ambitious
- Domestic support proposal a step backward



Benefits of Trade Liberalization to Developing Countries

- A study by the Institute for International Economics and the Center for Global Development says that more open trade would:
 - Increase the income of developing countries by \$200 billion annually (2.5 times the amount of ODA)
 - Reduce global poverty by 25% over 15 years
- The World Bank estimates that:
 - Two-thirds of the gains in global income from the worldwide elimination of barriers to goods will come to middle- and low-income countries

Developing Countries Must Take Action to Benefit from Trade Liberalization

- By Developing
 - Regulatory frameworks
 - Especially on sanitary and phytosanitary (SPS) issues
 - Promote sound science and strong international standard setting bodies (Codex, IPPC, OIE)
 - Institutional market infrastructure
 - Strengthen market information systems, grades and standards, cold chain
 - Human/organizational capacity
 - Will help countries engage effectively, purposefully in trade discussions and international organizations
 - Promote science-based policy decision-making



Importance of Agriculture to Doha Round

- Doha covers services, non-agriculture goods, trade and environment, intellectual property, but...
- Agriculture is the engine that is pulling the train
- If agriculture doesn't move, nothing moves
 - "A round that does not begin to remove barriers in agriculture will not be a development round."
(IMF and World Bank Sept 2005 Report)



Indo American Chamber of Commerce Conference

Dr. J.B. Penn, Under Secretary
U.S Department of Agriculture
Farm and Foreign Agricultural Services
November 16, 2005

